
FISCAL UPDATE Article

Fiscal Services Division

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LSA GENERAL FUND BALANCE SHEET UPDATE (MARCH 2018)

Revised Revenue Estimates. The Revenue Estimating Conference (REC) met March 9 and revised the FY 2018 and FY 2019 General Fund revenue estimates. The revised estimates incorporated the estimated revenue increases associated with the federal [Tax Cuts and Jobs Act](#) and the [Bipartisan Budget Act of 2018](#) that were previously enacted. The Iowa Department of Revenue's most recent analysis estimates that the federal tax law changes will generate \$28.4 million in FY 2018 and \$188.3 million in FY 2019. These estimates represent a decrease of \$4.6 million for FY 2018 and an increase of \$40.3 million for FY 2019, compared to the Department's estimates presented to the REC on February 9, 2017. The Legislative Services Agency (LSA) General Fund balance sheet includes the Department's estimates of the federal tax law changes.

Comparison of March and December REC Estimates. In order to compare the March and December revenue estimates, the March estimates are adjusted to account for the increases associated with the federal tax law changes, which occurred after the REC set the December estimates (and therefore not included in the December estimates). The table below compares the adjusted March estimates to the December estimates. After the adjustments, the FY 2018 March revenue estimate shows an increase of \$4.9 million compared to the December estimate. For FY 2019, the March estimate is \$18.5 million higher than the December estimate.

Revenue Estimating Conference General Fund Estimate Adjustments for Comparison Purposes (Dollars in Millions)						
	Dec Est FY 2018	March Est FY 2018	March vs Dec	Dec Est FY 2019	March Est FY 2019	March vs Dec
Net Receipts (REC Estimates)	\$ 7,237.5	\$ 7,270.8	\$ 33.3	\$ 7,527.0	\$ 7,733.8	\$ 206.8
Adjustment for Federal Law Change	28.4		- 28.4	188.3		- 188.3
Total	<u>\$ 7,265.9</u>	<u>\$ 7,270.8</u>	<u>\$ 4.9</u>	<u>\$ 7,715.3</u>	<u>\$ 7,733.8</u>	<u>\$ 18.5</u>

FY 2018 Budget Update. The estimated total of funds available for FY 2018 is \$7.271 billion, which includes the December REC estimate of \$7.238 billion, the \$28.4 million increase associated with the federal tax law changes, and an adjustment to the base estimate of \$4.9 million associated with the March REC estimate. During the 2017 Legislative Session, the General Assembly enacted appropriations totaling \$7.265 billion for FY 2018. The appropriations have been adjusted to reflect a required \$13.0 million appropriation to the Economic Emergency Fund and estimated supplemental appropriation needs of \$2.2 million.¹ With the additional revenue added to the balance from the March REC estimate, the General Fund budget is estimated to have a shortfall of \$3.6 million at the close of FY 2018.

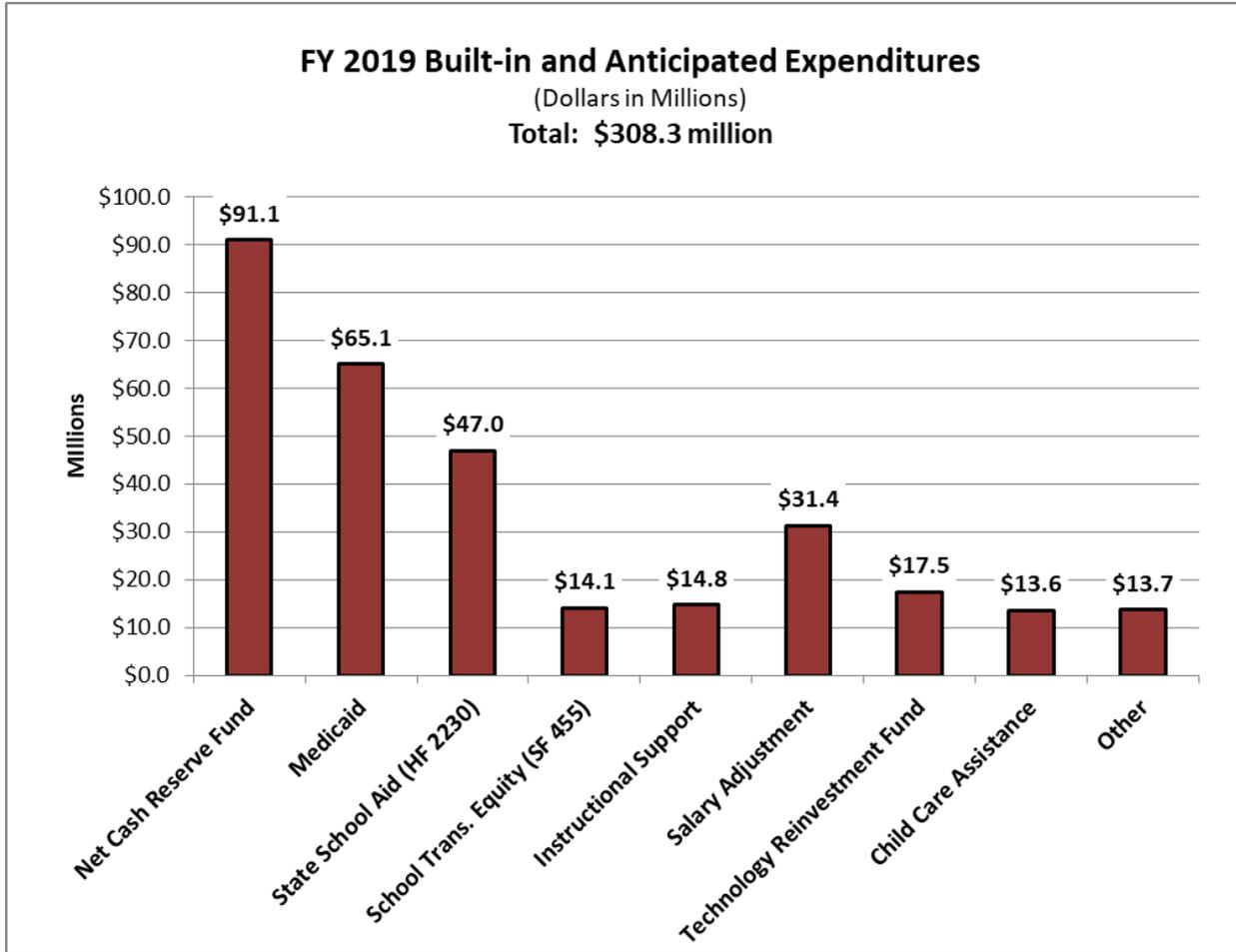
¹ The estimated FY 2018 appropriations have been adjusted to reflect the repayment of \$13.0 million in FY 2018 for the FY 2017 transfer from the Economic Emergency Fund to the General Fund. The adjustments also include estimated supplemental appropriations of \$1.7 million for Indigent Defense costs and \$450,000 for increased utility expenses on the Capitol complex.

Updated FY 2019 Budget Projection. The FY 2019 LSA projection is intended to assist the General Assembly in evaluating budget decisions for the next fiscal year. The estimates for FY 2019 are based on the following factors and assumptions:

- The FY 2019 REC revenue estimate of \$7.527 billion set in December 2017. The REC estimate is based on tax laws and other revenue policies in place at the time the estimate was adopted. This estimate is included in the calculation of the FY 2019 expenditure limitation.
- An increase of \$188.3 million associated with the Department of Revenue's latest estimate to account for the federal tax law changes. This estimate is included in the calculation of the FY 2019 expenditure limitation.
- The net increase of \$18.5 million associated with the March REC estimate. These funds are not included in the calculation of the FY 2019 expenditure limitation.
- The expenditure limitation for FY 2019 is estimated to be \$7.638 billion.
- The enacted appropriations from FY 2018 (\$7.265 billion) are used as the baseline for FY 2019 appropriations.
- The LSA's estimated built-in and anticipated expenditure changes for FY 2019 total \$308.3 million. This estimate is \$57.3 million higher than the estimate released in February to account for the enactment of [HF 2230](#) (State School Aid Act) and [SF 455](#) (School Transportation Equity Act), that were signed into law on March 7 and 8, 2018. The chart on page 4 summarizes the FY 2019 built-in and anticipated expenditures. The estimated built-in and anticipated expenditures reflect the incremental increases above the baseline appropriations for FY 2019.
- The projected FY 2019 appropriations totaling \$7.573 billion include the base amount of \$7.265 billion plus the \$308.3 million in built-in and anticipated expenditures. This total represents an increase of 4.0% compared to the estimated FY 2018 appropriations shown on the balance sheet. It should be noted that there are several increases estimated for FY 2019 that routinely do not receive funding. For estimating purposes, these items are included in the FY 2019 estimate because under current law, the Iowa Code appropriates the funds unless the General Assembly places a temporary suspension on the appropriation. In addition, the FY 2019 estimate includes certain expenses that State agencies will incur in FY 2019 whether or not they are funded. The largest of these expenses is an estimated \$31.4 million in increased salary costs. If additional funding is not appropriated, agencies will be required to fund the increases with existing resources. Since FY 2009, appropriations have not been adjusted to cover the increased salary costs.
- Reversions are estimated to total \$5.0 million for FY 2019. Reversions are appropriated funds that remain unexpended at the close of the fiscal year and are deposited back in the General Fund.

The table below shows the projected General Fund budget for FY 2019 based on the above assumptions. The projected appropriations that total \$7.573 billion are \$65.2 million below the estimated expenditure limitation. The FY 2019 General Fund surplus is projected to total \$165.9 million.

State of Iowa			
Projected Condition of the General Fund Budget			
March 2018			
(Dollars in Millions)			
	Actual	Estimated	LSA
	FY 2017	FY 2018	Projection
			FY 2019
Funds Available:			
Net Receipts	\$ 7,095.9	\$ 7,237.5	\$ 7,527.0
Cash Reserve Transfer	131.1	0.0	0.0
Economic Emergency Fund Transfer	13.0	0.0	0.0
Federal Tax Law Adjustment	0.0	28.4	188.3
Surplus Carryforward	<u>18.2</u>	<u>0.0</u>	<u>0.0</u>
Subtotal	<u>7,258.2</u>	<u>7,265.9</u>	<u>7,715.3</u>
March REC Adjustment	0.0	4.9	18.5
Total Funds Available	<u>\$ 7,258.2</u>	<u>\$ 7,270.8</u>	<u>\$ 7,733.8</u>
Expenditure Limitation			\$ 7,638.1
Estimated Appropriations and Expenditures:			
Enacted Appropriations/FY 2019 Baseline	\$ 7,351.7	\$ 7,264.6	\$ 7,264.6
Transfer to Economic Emergency Fund	0.0	13.0	0.0
Supplemental/Deappropriations	- 88.2	2.2 ¹	0.0
Built-in and Anticipated Increases	<u>0.0</u>	<u>0.0</u>	<u>308.3</u>
Total Before Balance Adjustment	<u>7,263.5</u>	<u>7,279.8</u>	<u>7,572.9</u>
Adjustment to Balance Budget	0.0	- 3.6	0.0
Total Appropriations	<u>\$ 7,263.5</u>	<u>\$ 7,276.2</u>	<u>\$ 7,572.9</u>
Reversions	- 5.3	- 5.4	- 5.0
Net Appropriations	<u>\$ 7,258.2</u>	<u>\$ 7,270.8</u>	<u>\$ 7,567.9</u>
Ending Balance – Surplus	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>\$ 165.9</u>
<p>¹ The estimated supplemental appropriations include \$450,000 for increased utility expenses on the Capitol complex and \$1.7 million for State Public Defender Indigent Defense costs. These amounts reflect the supplemental funding levels included in SF 2117 (FY 2018 Budget Adjustment Bill). Final action on the supplemental appropriations is still pending.</p>			



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